

PanCanadian Annual Report 1977

AR14





AR14

PanCanadian

INTERIM REPORT
For the Six Months Ended
June 30, 1977

PanCanadian Petroleum Limited

PanCanadian Petroleum Limited
P.O. Box 2850
Calgary, Alberta
T2P 2S5

TO THE SHAREHOLDERS:
FIRST HALF COMPARATIVE HIGHLIGHTS

PanCanadian Petroleum Limited and Subsidiaries

FINANCIAL (thousands of dollars)	1977	1976	% Change
Gross income	\$148,184	\$95,654	+54.9
Funds from operations	86,223	62,723	+37.5
Per share	2.76	2.01	
Net income	59,437	42,650	+39.4
Per share	1.90	1.37	
Capital expenditures	52,588	53,435	- 1.6

PRODUCTION AND SALES

(net daily average)			
Crude oil and natural gas liquids — barrels	47,608	38,812	+22.7
Natural gas — million cubic feet ..	288	229	+25.8

The financial results for the first half of 1977 are substantially ahead of those reported for the same period last year, because of higher product prices and increased production.

Crude oil production averaged 30 670 barrels a day, an increase of 23.9% from the previous year. Five oil wells were placed on production in the Countess DFH Unit, increasing the daily production rate by 600 barrels. Natural gas liquids sales totalled 16 938 barrels a day. Natural gas sales increased 25.8% and reached 288 million cubic feet a day.

PanCanadian participated in the drilling of 311 wells during the first half of 1977, of which 61 were exploratory and 250 development wells. Exploratory drilling resulted in 5 oil and 37 gas wells, and the development program added 16 oil, 207 gas and 7 facility wells.

An active exploratory program continued throughout Alberta, with two oil discoveries at Alderson and Hussar and eight gas discoveries in the Carseland-Gayford-Enlce region. Of these gas discoveries, four showed potential in two zones and one tested gas in three zones.

In the United States, six onshore wells are currently drilling. Five are located in Mississippi, testing Smackover and Hosston prospects and one is in Texas, testing a Woodbine prospect. A new joint exploration venture has commenced in the Frio trend of Louisiana and southeast Texas. PanCanadian has a 5% participation in a wildcat, currently drilling on Block 329 in the Gulf of Alaska.

Offshore Greenland, drilling has commenced on Concession 32, in which your Company has a 25% interest.

Your Company made a number of substantial land and reserve acquisitions. On June 2, a 20% interest was acquired in a producing property in Dimmitt County, Texas for a consideration of \$7.8 million. The property has four out of five development wells on production, with a deliverability rate of 20 million cubic feet of gas a day and estimated reserves of 80.5 billion cubic feet in three producing zones. The Deep Basin Group, in which your Company has a 45% interest, obtained a 20,320 acre petroleum and natural gas exploration license in the Pinto area of Alberta, for \$8.2 million. An exploratory well is scheduled to commence on this license in the near future. On June 23, the Company participated in the Gulf of Mexico lease sale and purchased interests in two tracts at a cost of \$3.5 million. A 25% interest was obtained in 5,000 acres on Block 43 in the Eugene Island area offshore Louisiana and a 16²/₃% interest in 5,760 acres in the High Island area offshore Texas.

On July 1, 1977, the price of crude oil increased \$1.00 per barrel. Three further increases of \$1.00 per barrel each, at six month intervals, have been recommended by the Federal Government. The price of natural gas is scheduled to increase \$.175 per thousand cubic feet effective August 1, 1977, with a further increase of \$.17 per thousand cubic feet on February 1, 1978. Average price realized by PanCanadian in 1977 for crude oil is expected to be \$10.00 per barrel, and natural gas is estimated to average \$1.35 per thousand cubic feet.

CONSOLIDATED FINANCIAL SUMMARY
(Thousands of dollars)

June 30

	1977	1976
Balance Sheet		
Current assets	\$102,319	\$ 60,380
Current liabilities	61,409	72,584
Working capital (deficiency)	40,910	(12,204)
Property, equipment and other assets	494,340	413,006
	535,250	400,802
Long term debt	127,072	83,388
Deferred credits	129,751	112,089
Shareholders' equity	\$278,427	\$205,325
Shares outstanding	31,219,534	31,219,534
	For the Six Months Ended June 30	
	1977	1976

Changes in Financial Position

Source of working capital:

Funds from operations	\$ 86,223	\$ 62,723
Long term debt	—	5,000
	86,223	67,723

Application of working capital:

Capital expenditures — net	52,588	53,435
Reduction of long term debt	3,375	3,042
Dividends	14,358	13,423
Other	319	402
	70,640	70,302
	\$ 15,583	\$ (2,579)

Increase (decrease) in working capital

Statement of Income

Gross income	\$148,184	\$ 95,654
Operating and administrative expenses	35,467	19,419
Interest expense	6,130	5,036
Depreciation, amortization and depletion expenses	15,837	9,424
	57,434	33,879
	90,750	61,775
	31,313	19,125
	\$ 59,437	\$ 42,650

Per share	\$1.90	\$1.37
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CONSOLIDATED OPERATING SUMMARY

Production and sales — net daily average

Crude oil — barrels	30,670	24,762
Natural gas liquids — barrels	2,777	2,870
Empress Plant — natural gas liquids — barrels	14,161	11,180
Natural gas — million cubic feet	47,608	38,812
	288	229

“Unaudited”

Robert W. Campbell
Chairman of the Board and
Chief Executive Officer
Calgary, Alberta

J. M. Taylor
J. M. Taylor
President

PanCanadian Petroleum Limited

Annual Report

1977

Canadian Pacific Oil and Gas Limited was incorporated in 1958, and in 1971 was amalgamated with Central-Del Rio Oils Limited forming PanCanadian Petroleum Limited, one of the largest Canadian controlled hydrocarbon producers. Canadian Pacific Investments Limited owns 87.1% of the 31,291,534 shares outstanding. PanCanadian employs more than 750 people, most of whom are located at the headquarters in One Palliser Square, Calgary, the building to the far right of the Calgary Tower.

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ANNUAL GENERAL MEETING

The Annual General Meeting of Shareholders will be held in the Marquis Room of the Palliser Hotel, Calgary, Alberta at 10:00 a.m. Mountain Standard Time, on Thursday, April 6th, 1978. Notice of meeting, information circular and form of proxy are being mailed to each Shareholder with this report.

Highlights

FINANCIAL

1977

1976

(Dollar amounts in thousands except per share figures)

Gross Income	\$301,346	\$206,941
Funds from Operations	186,096	134,440
Per Share	5.96	4.31
Net Income	126,546	85,033
Per Share	4.05	2.72
Dividends	29,653	27,784
Per Share	0.95	0.89
Capital Expenditures	110,030	117,036
Long-Term Debt		
at end of year	119,632	130,447
Working Capital		
at end of year	57,816	25,327

OPERATING — NET DAILY AVERAGE

Natural Gas Sales —		
million cubic feet	273.0	231.7
Crude Oil Production — barrels ..	31,226	27,707
Natural Gas Liquids		
Production — barrels	2,608	2,688
Empress Plant Natural Gas		
Liquids Sales — barrels	12,163	9,980
	45,997	40,375
Sulphur Sales — long tons	230	143

DRILLING STATISTICS — WORKING INTEREST WELLS

Exploratory Wells Drilled	80	113
Indicated Successes	55	73
Development Wells Drilled	189	327
Indicated Successes	170	286
Net Working Interest Acres	13,362,000	13,059,000

Corporate

DIRECTORS

- | | |
|--|--|
| † *ALEX G. BAILEY
Calgary, Alberta | — Director of Conventures Limited |
| *ROBERT W. CAMPBELL
Calgary, Alberta | — Chairman of the Board and Chief Executive Officer of PanCanadian Petroleum Limited, Director of Canadian Pacific Investments Limited and TransCanada PipeLines Limited |
| ALBERT D. COHEN
Winnipeg, Manitoba | — President of General Distributors of Canada Ltd. |
| JOCK K. FINLAYSON
Montreal, Quebec | — Vice Chairman of The Royal Bank of Canada |
| HUGH A. MARTIN
Vancouver, B.C. | — President of Western Construction & Engineering Research Ltd. |
| WILLIAM MOODIE
Montreal, Quebec | — President of Canadian Pacific Investments Limited |
| † *H. M. PICKARD
Calgary, Alberta | — Barrister and Solicitor |
| † JOHN C. ROSS
Lethbridge, Alberta | — President of the Milk River Cattle Company Limited |
| IAN D. SINCLAIR, Q.C.
Montreal, Quebec | — Chairman and Chief Executive Officer of Canadian Pacific Limited |
| W. J. STENASON
Montreal, Quebec | — Executive Vice President of Canadian Pacific Investments Limited |
| *J. M. TAYLOR
Calgary, Alberta | — President of PanCanadian Petroleum Limited, Director of TransCanada PipeLines Limited and Director and Chairman of the Board of Panarctic Oils Ltd. |
| † MARSHALL M. WILLIAMS
Calgary, Alberta | — President of Calgary Power Ltd. |
- *Member of Executive Committee
†Member of Audit Committee

OFFICERS

Robert W. Campbell
*Chairman of the Board
and Chief Executive Officer*

J. M. Taylor
President

Bartlett B. Rombough
Executive Vice President

Ian D. Sinclair, Q.C.
Vice President

C. H. Stevens
Senior Vice President — Administration

A. W. Groll
Vice President — Production

C. R. V. Thomson
Vice President — Exploration

K. B. Cusworth
Vice President — Corporate Research

V. B. Watson
Treasurer

George E. Little
Corporate Secretary

C. Millar
Assistant Secretary



Mr. Robert W. Campbell

To The Shareholders

On behalf of PanCanadian Petroleum Limited's Board of Directors, we are pleased to report that your Company's growth continued throughout 1977. Record earnings, cash flow and return on shareholders' equity were achieved and we are confident that this trend will continue in 1978.

Net income rose to \$126.5 million or \$4.05 a share, a 49% increase. Funds generated from operations were \$186.1 million or \$5.96 a share. Dividends were increased to \$0.95 a share, the maximum permissible under the anti-inflation regulations.

Your Company's improved performance was the result of increased oil and gas production together with higher prices. Gas sales rose by 18% and, following the National Energy Board's decision permitting the continued export of conventional heavy and medium gravity crude, oil and natural gas liquids production increased by 14%.

Over half PanCanadian's oil production is sold in the heavy oil market and it is anticipated that the market demand experienced in 1977 for this type of oil will continue throughout the present year. The United States Northern Tier refiners have indicated that they will take all the heavy and medium oil that Canada can supply and Montreal refineries are taking more than originally forecast.

The National Energy Board has scheduled hearings for the spring to examine the Canadian energy supply and demand situation, and your Company will make representations at these hearings.

Gas purchase contracts obtained prior to the recognition of the Canadian gas surplus enabled PanCanadian to increase gas sales in 1977. Although increased gas sales are again forecast for 1978, the Company has a number of gas properties for which purchase contracts are required. The potential production from these has been offered to the major purchasers, and we are currently waiting for them to obtain the necessary export approvals.

That PanCanadian — and the oil industry in general — has been successful in finding additional gas is in no small part due to the stable policies and reasonable pricing, taxation and royalty rates introduced by the Federal Government and the Provinces of Alberta and British Columbia. Four years ago, the oil industry was

in a difficult position with a very uncertain future. Little exploration was being conducted and fears were expressed that a gas shortage would develop. At that time, industry stated that abundant gas supplies could be assured well into the future, if governments would cooperate to present industry with a favourable investment climate. Fortunately, government responded to industry's concerns, and reasonable oil and gas economic policies conducive to aggressive exploration were developed. As a result, extensive exploration programs have been undertaken, substantial gas reserves have been discovered and Canada now has surplus gas.

Although this would appear to be fortunate for Canada, the present exploration momentum could be lost unless there is expansion of gas markets. Since oil and gas discoveries are interrelated, the lack of markets for gas could curtail exploration activity and thereby reduce the opportunity for further oil discoveries. It is therefore essential that the surplus gas be allowed to serve additional markets.

Of further concern are the transportation charges made by gas transmission companies, and PanCanadian is participating in public hearings on this matter. Under the present system, all transportation charges are subtracted from the Toronto City Gate price to determine field prices. Accordingly, any increase in transmission costs reduces the wellhead price. It is important that PanCanadian continues to play an active part at rate hearings before regulatory bodies to help ensure reasonable transmission costs.

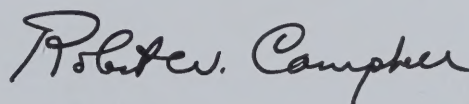
Your Company continued its aggressive exploration program and much emphasis was placed on acquiring land holdings in prospective areas. Total land expenditures were \$27.7 million for acquisitions in Alberta, northeast British Columbia, the United States and offshore Australia. The recent oil and gas discoveries at West Pembina have intensified exploration activity throughout central Alberta, and PanCanadian has acquired several parcels in this highly prospective area. Further north, an important gas discovery was made at Elmworth-Knopic. PanCanadian has extensive land

holdings in this area and two indicated gas wells have been drilled on your Company's lands.

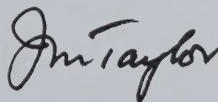
Early in 1978, a number of senior executive appointments were made. Mr. C.R.V. Thomson became Vice President-Exploration, and Mr. K.B. Cusworth was appointed Vice President-Corporate Research. Mr. M.A. Rogers became Vice President-Exploration of PanCanadian Petroleum Company in Houston, Texas.

We are deeply saddened to report the death of Mr. John F. Hardy on July 31, 1977. Mr. Hardy was Chairman of the Board of Central-Del Rio Oils Limited from 1969 to 1970, and served as a Director of PanCanadian Petroleum Limited until 1972.

On behalf of the Board of Directors, we wish to thank our staff for their continued efforts throughout 1977.



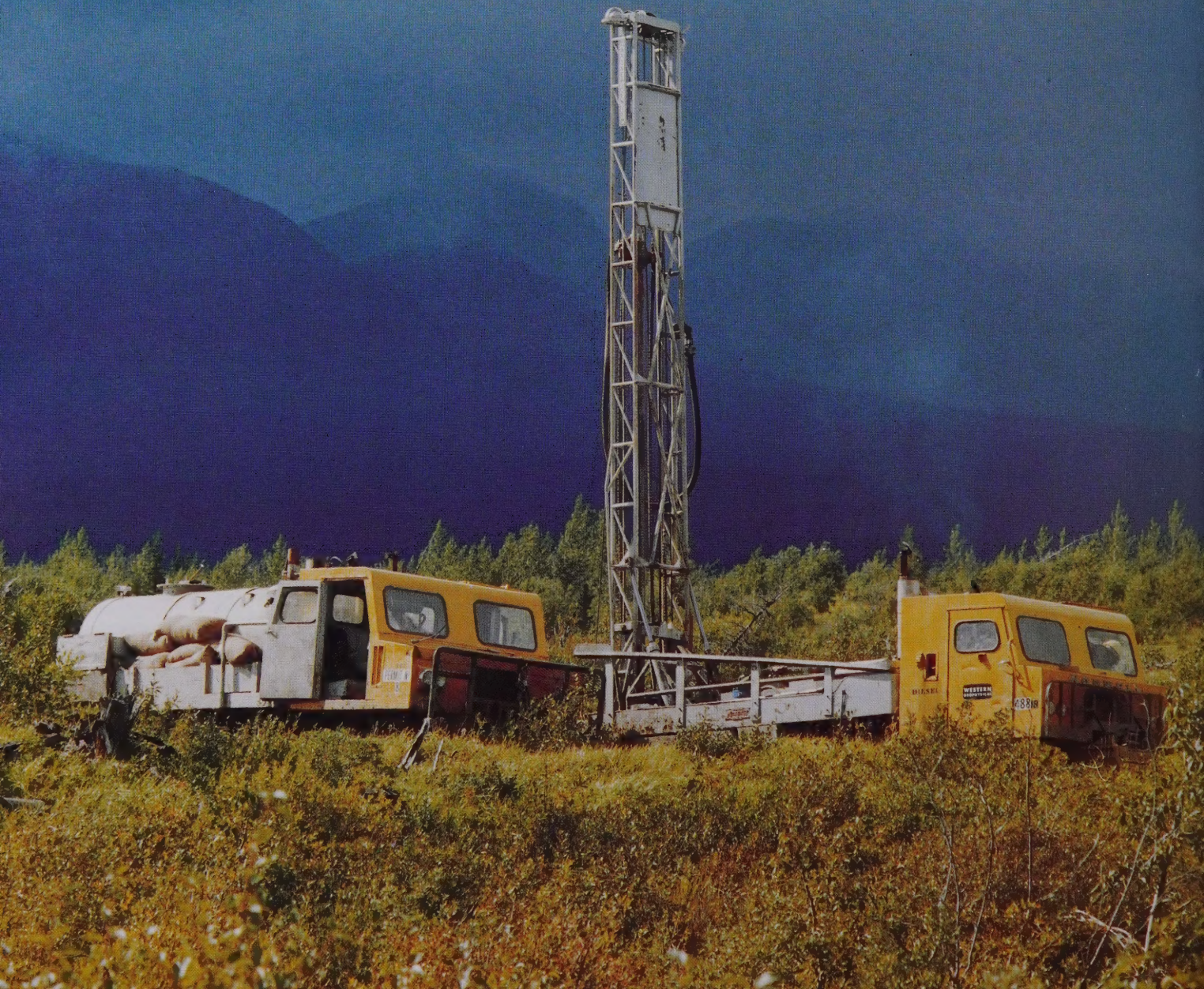
Robert W. Campbell
Chairman of the Board and
Chief Executive Officer



J. M. Taylor
President

Calgary, Alberta
March 8, 1978

Exploration



Total exploration expenditures, including the Company's investment in Panarctic Oils Ltd., increased from \$59.9 million in 1976 to a record \$77.7 million.

Land acquisition and retention expenditures were \$27.7 million, compared to \$19.7 million in the previous year. At year end, PanCanadian's working interest land holdings totalled 13.4 million net acres, of which 9.6 million were located in Canada. Royalty interests were held in a further 4.1 million acres. Total acreage is relatively unchanged from last year, as acquisitions in prospective areas have replaced relinquished holdings.

Exploration in Alberta maintained its momentum, encouraged by the continuing favourable economic climate and a number of recent discoveries. The most encouraging success was a major oil find in the West Pembina area by another Canadian oil company. This is the first important oil discovery in Alberta since 1965 and has led to intense activity. Your Company is actively participating in this area and after obtaining seismic data, acquired interests in several parcels totalling more than 40,000 acres. Three wildcat wells were commenced in early 1978 and further tests are scheduled for the near future.

In the Elmworth-Knopcik area, northwest of Grande Prairie, PanCanadian has a strong land position in what may be Alberta's largest recent gas discovery. Your Company has varying interests in 66,500 acres and four wells have now been drilled on the southern portion of PanCanadian's lands, resulting in two gas wells with gas shows in the others. It is possible that the multizone gas play extends throughout this area, including the Company's untested land to the northeast, and four further tests are scheduled.

Several wells were drilled in the Rocky Mountain foothills. A promising gas discovery was made in the Narraway area and a follow-up well commenced early in 1978. At Findley, two wells were drilled and tested gas, and further wells are scheduled in 1978 for this and other areas.

As in previous years, PanCanadian was very active in southern Alberta and a large number of exploratory tests were drilled. Oil discoveries were made at Alderson and Hussar, and a number of significant gas finds were made to the west of the Hussar and Redland gas fields. These are primarily multiple-zone gas discoveries and it is anticipated that further gas reserves remain to be found on PanCanadian's lands.

In British Columbia, PanCanadian was active at land sales and acquired varying interests in 330,000 acres, primarily in the Murray River area. An indicated two-zone gas discovery was made at Kimea-July Lake

and further drilling on this play is planned. Elsewhere in British Columbia, three wells commenced early in 1978 with an indicated gas success at Evergreen.

Interests in two blocks offshore Texas and Louisiana were obtained at an Outer Continental Shelf sale, and a well is scheduled for one of these blocks in the near future. In addition, acreage was obtained in the Gulf Coast states where PanCanadian participated in successful wells during 1977. In Mississippi, two discoveries in Jones County are producing oil, and development drilling has commenced. Your Company also participated in a Woodbine formation oil discovery in Tyler County, Texas.

Early in 1978, a potential gas discovery was made on pooled acreage offshore Texas and initial results are encouraging. The first wildcat on our offshore California acreage recently commenced drilling, and the initial test of our Baltimore Canyon land holdings, offshore the eastern United States, will proceed now that government approvals can be obtained.

The highlight of PanCanadian's 1977 international activity was the acquisition of an exploration permit on the Northwest Shelf of Australia. Your Company has a 20% interest in this eight million acre offshore block adjoining the Exmouth Plateau. An extensive geophysical exploration program will be undertaken in 1978 and exploratory drilling is scheduled to begin in 1979. Two wells were drilled and abandoned offshore Greenland.

The coal exploration program in central and southern Alberta is continuing, and our estimate of proven and probable reserves of subbituminous coal increased from 860 to 1,490 million tons. Of this, surface and underground recoverable reserves are 880 and 610 million tons respectively.

Panarctic Oils Ltd.

During 1977 Panarctic drilled seven wells, including a well delineating the southern limit of the Hecla gas field. Two more wells were underway at year end. PanCanadian holds an 8.93% interest in Panarctic Oils Ltd., a decrease from the 9.13% held at the end of 1976. This reduction resulted from the initial installment of a purchase of treasury shares from Panarctic by another Canadian oil company for an investment of \$30.5 million.

**WORKING INTEREST HOLDINGS IN
PETROLEUM AND NATURAL GAS RIGHTS**

	At December 31, 1977		At December 31, 1976	
	Gross Acres	Net Acres	Gross Acres	Net Acres
CANADA				
Alberta	8,346,842	6,412,371	8,083,777	6,296,914
Arctic Islands*	994,028	109,343	994,028	109,343
British Columbia	792,971	378,906	528,624	316,184
Manitoba	269,345	269,345	269,720	269,720
New Brunswick	178,050	49,958	178,050	48,958
N.W.T. & Yukon	2,383,066	1,548,287	2,739,688	1,736,582
Quebec	1,053,076	129,217	1,053,076	129,217
Saskatchewan	687,274	663,934	686,769	663,317
	<u>14,704,652</u>	<u>9,561,361</u>	<u>14,533,732</u>	<u>9,570,235</u>
UNITED STATES	<u>1,546,113</u>	<u>628,339</u>	<u>1,533,185</u>	<u>748,051</u>
INTERNATIONAL				
Australia	8,000,000	1,600,000	—	—
Greenland	779,369	233,288	779,369	233,288
Indonesia	3,511,115	1,316,668	11,211,115	2,123,174
Iran	—	—	1,797,442	359,488
North Sea (Dutch)	207,503	10,375	207,503	10,375
North Sea (U.K.)	156,430	12,387	194,027	14,079
	<u>12,654,417</u>	<u>3,172,718</u>	<u>14,189,456</u>	<u>2,740,404</u>
TOTAL	<u>28,905,182</u>	<u>13,362,418</u>	<u>30,256,373</u>	<u>13,058,690</u>

Non-working interest acreage under lease or sub lease, reserving to PanCanadian, or its subsidiaries, royalties or overriding royalties

— 4,140,031 — 4,225,146

* Does not include PanCanadian's interest in Panarctic Oils Ltd.

DRILLING STATISTICS

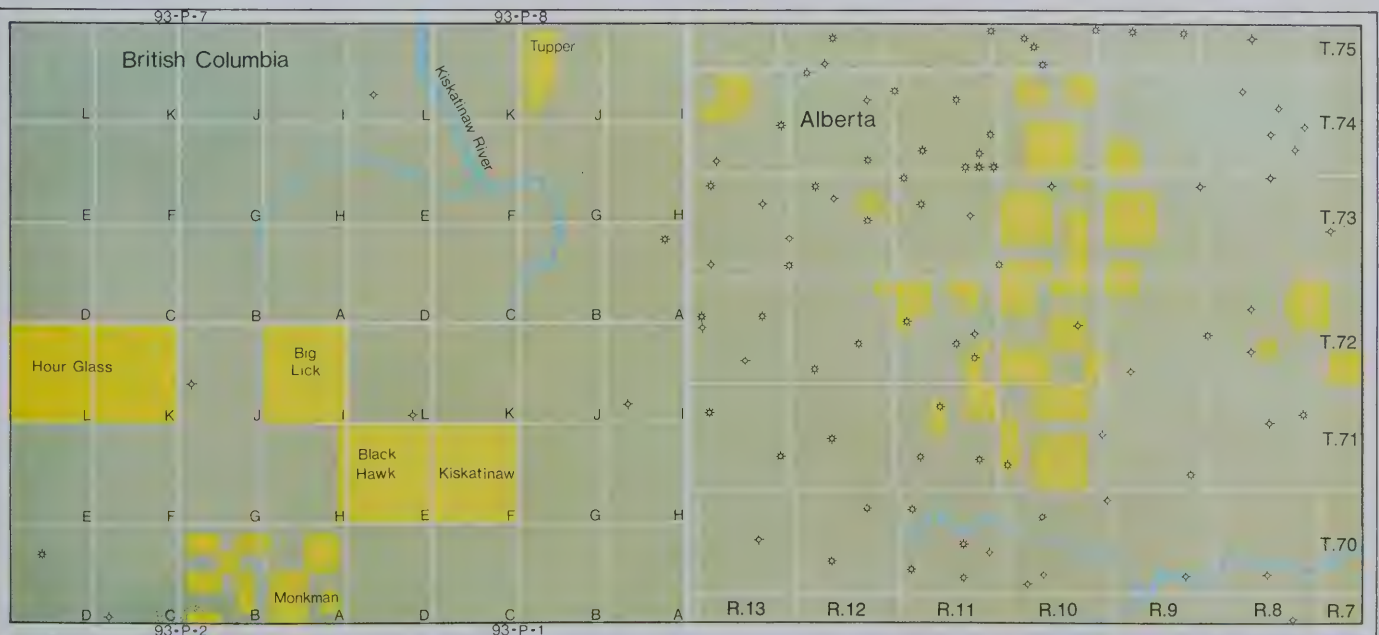
	1977					1976	
	Oil	Gas	Dry	Facility	Total	Footage	Total
CANADA							
Exploratory							
Working Interest	5	48	18	—	71	322,911	100
Royalty Interest	9	39	27	—	75	303,597	202
Development							
Working Interest	22	143	17	2	184	548,906	325
Royalty Interest	36	333	27	8	404	995,208	337
	<u>72</u>	<u>563</u>	<u>89</u>	<u>10</u>	<u>734</u>	<u>2,170,622</u>	<u>964</u>
UNITED STATES							
Exploratory							
Working Interest	1	1	5	—	7	102,905	9
Royalty Interest	1	1	1	—	3	35,073	2
Development							
Working Interest	1	4	—	—	5	71,097	2
Royalty Interest	—	1	1	—	2	13,265	—
	<u>3</u>	<u>7</u>	<u>7</u>	<u>—</u>	<u>17</u>	<u>222,340</u>	<u>13</u>
INTERNATIONAL							
Exploratory							
Working Interest	—	—	2	—	2	16,592	4
TOTAL	<u>75</u>	<u>570</u>	<u>98</u>	<u>10</u>	<u>753</u>	<u>2,409,554</u>	<u>981</u>



West Pembina - Bigoray Area

Well symbols indicate deep tests

6 mi
9.7 km



Elmworth - Knopcik Area

LEGEND ● Oil well ⊛ Gas well ○ Drilling location ⊕ Abandoned well

6 mi
9.7 km

Production



Natural Gas

Net gas sales increased from a daily average of 232 million cubic feet a day to a record 273 million cubic feet a day in 1977. The average price realized by your Company for natural gas was \$1.26 a thousand cubic feet, compared with \$0.99 the previous year. An agreement between the Federal and Alberta Governments provided increases to the Toronto City Gate price of \$0.10 and \$0.175 a thousand cubic feet on January 1 and August 1, 1977 respectively. A further increase of \$0.17 a thousand cubic feet became effective February 1, 1978, increasing PanCanadian's average gas price to \$1.43 a thousand cubic feet.

The increased daily deliveries resulted from a full year of production from new fields which were tied-in during the final months of 1976. In addition, wells located at Entice, Strathmore, Verger, Tide Lake and Alderson West were placed on production in 1977.

As a result of the western Canadian gas surplus, transmission companies are not able to offer gas purchase contracts for new reserves. Fortunately, your Company has developed reserves in areas which were already covered by gas purchase contracts. Because of this, it is anticipated that 1978 sales of natural gas will increase. However, your Company has requested new contracts for a considerable number of capped gas properties and the major purchasers are making application for new export permits. If these applications are approved, new contracts may be possible.

Crude Oil

Net oil production increased from 27,707 barrels a day to 31,226 barrels a day. As a result of Federal-Provincial negotiations and the Canadian Government's policy to bring domestic oil prices gradually towards those of the international market, the wellhead price of crude oil was increased by \$0.70 and \$1.00 a barrel on January 1 and July 1, 1977 respectively. The average price realized by PanCanadian for its oil during 1977 was \$9.50 a barrel. A further increase of \$1.00 a barrel was implemented on January 1, 1978, bringing PanCanadian's average price to approximately \$10.50 a barrel.

Improved markets for heavy oil were responsible for your Company's increased production. These improved conditions resulted from a full year of sales in eastern Canada, following the opening of the Sarnia to Montreal pipeline in 1976, and from the National Energy Board's decision to exempt heavy crude from export regulations governing light crude oil. Heavy oil deemed surplus to Canadian requirements may now be exported to the United States, but as Canadian demand increases these exports will be reduced accordingly.

Pump jack at Brooks Alberta

Although sold in the heavy oil market, PanCanadian's heavy oil should not be confused with that produced in the Lloydminster area of Alberta and Saskatchewan. PanCanadian's oil is of lighter gravity and does not have the marketing problems of the Lloydminster type, which requires upgrading prior to use as a feedstock in the production of fuels.

Your Company has a 12¹/₂% interest in a pilot project to produce heavy oil from the Cold Lake tar sands in Alberta, and the plant for this venture is in the final stages of construction. This project, at Marguerite Lake, will test the feasibility of in-place recovery of heavy oil and is scheduled to commence operations in April, 1978. Planned total production during the pilot stage is 500 barrels of oil a day.

Natural Gas Liquids

Revenue generated from 5.4 million barrels of natural gas liquids sales totalled \$56.6 million. This represents a 45% increase in revenue over 1976 when 4.6 million barrels generated \$39.1 million. At year end, inventory was 1.211 million barrels compared with 0.953 million last year.

PanCanadian is now engaged in the wholesale marketing of its natural gas liquids production through wholly-owned subsidiaries, and has commenced a program to acquire and resell other purchasers' liquified petroleum gases in Canada and the United States.

Your Company is supplying ethane at approximately 5,000 barrels a day to the Willesden Green oil field miscible flood program. In order to supply ethane feedstock to an ethylene plant under construction at Red Deer, PanCanadian is participating in the expansion of a second Empress extraction facility. Sales to Willesden Green will be phased out when full contract volume to the ethylene plant is achieved in 1979.

Sulphur

Sulphur sales totalled \$1.2 million compared with \$0.9 million in 1976. Daily sales averaged 230 long tons at an average price of \$14.68 a ton. This compares with 143 tons a day in 1976 at an average of \$17.41 a ton. At year end, inventory was 239,000 long tons.



★ Kimea - July Lake

★ Evergreen

ATHABASCA
OIL SANDS

ALBERTA

★ Murray River

★ Elmworth-Knopsik

★ Grande Prairie

★ Narraway

★ Findley

★ Brulé Lake

EDMONTON

★ Marguerite Lake

★ Cold Lake

★ West Pembina

★ Lloydminster

BRITISH
COLUMBIA

★ Willesden Green

★ Red Deer

CALGARY

★ Drumheller

★ Entice ★ Redland

★ Hussar

★ Strathmore ★ Verger

★ Brooks

★ Tide Lake ★ Alderson
★ Alderson West

★ Empress

U. S. A.

60 mi.
100 km

NET NATURAL GAS SALES

Daily Average — Million Cubic Feet	1977	1976
ALBERTA		
Alderson	22.9	18.6
Jumping Pound	22.6	19.6
Countess	19.4	16.6
Verger	13.3	4.4
Bantry	13.1	10.2
Calgary	13.0	13.0
Princess	10.9	7.7
Redland	10.3	10.4
Westerose	9.1	9.9
Strathmore	7.9	2.0
Lathom	7.0	4.2
Entice	6.3	0.3
Tide Lake	5.8	0.1
Wayne	5.4	5.9
Ferrybank	4.8	4.9
Hussar	4.5	6.6
Gilby	4.5	4.9
Viking Kinsella	4.2	3.7
Cassils	4.1	1.4
Patricia	3.8	2.8
Lake Newell	3.5	4.3
Wintering Hills	3.5	4.9
Rosebud	3.5	6.1
Killam	2.7	1.4
Homeglen Rimbey	2.3	2.5
Ukalta	2.1	2.5
Other	55.3	57.6
	<u>265.8</u>	<u>226.5</u>
BRITISH COLUMBIA ..	<u>3.1</u>	<u>1.4</u>
UNITED STATES	<u>4.1</u>	<u>3.8</u>
	<u>273.0</u>	<u>231.7</u>

NET CRUDE OIL PRODUCTION

Daily Average — Barrels	1977	1976
ALBERTA		
Countess	9,881	6,600
Lathom	2,244	1,831
Wizard Lake	2,233	2,174
Viking Kinsella	1,415	377
Fenn Big Valley	1,265	1,276
Bantry	879	728
Taber	847	752
Bonnie Glen	838	801
Westerose	825	808
Horsefly	712	532
Pembina	560	535
Hussar	515	471
Gilby	476	506
Provost	395	457
Bellshill Lake	319	327
Medicine River	304	314
Alderson	284	216
Redwater	253	296
Leduc	242	273
Parflesh	208	291
Joarcam	205	221
Other	2,710	2,539
	<u>27,610</u>	<u>22,325</u>
SASKATCHEWAN		
Weyburn	1,996	3,237
Flat Lake	375	630
Handsworth	184	280
Lake Alma	150	257
Other	486	656
	<u>3,191</u>	<u>5,060</u>
BRITISH COLUMBIA ..	<u>12</u>	<u>3</u>
MANITOBA	<u>65</u>	<u>63</u>
UNITED STATES	<u>348</u>	<u>256</u>
	<u>31,226</u>	<u>27,707</u>

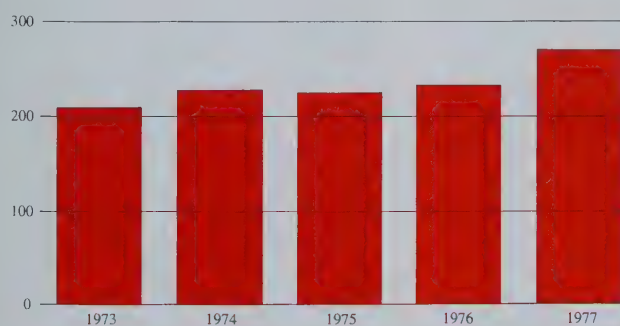
NET NATURAL GAS LIQUIDS SALES

Daily Average — Barrels	1977	1976
ALBERTA		
Empress Plant	12,163	9,980
Westerose	713	765
Jumping Pound	426	462
Calgary	299	314
Other	1,149	1,120
	<u>14,750</u>	<u>12,641</u>
UNITED STATES	<u>21</u>	<u>27</u>
	<u>14,771</u>	<u>12,668</u>

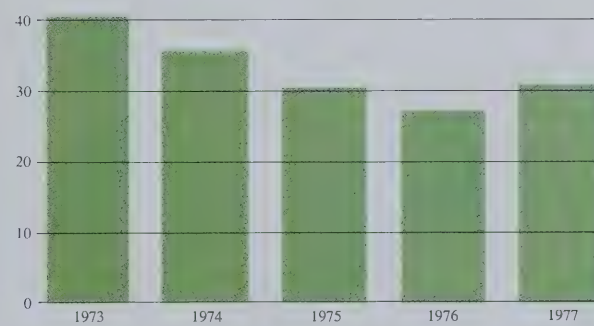
NET SULPHUR PRODUCTION

Daily Average — Long Tons	1977	1976
ALBERTA		
Calgary	96	79
Jumping Pound	74	60
East Crossfield	54	54
Other	26	18
	<u>250</u>	<u>211</u>

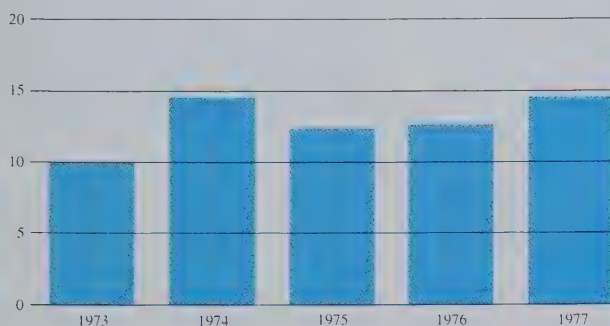
NET NATURAL GAS SALES
Daily Average — Million Cubic Feet



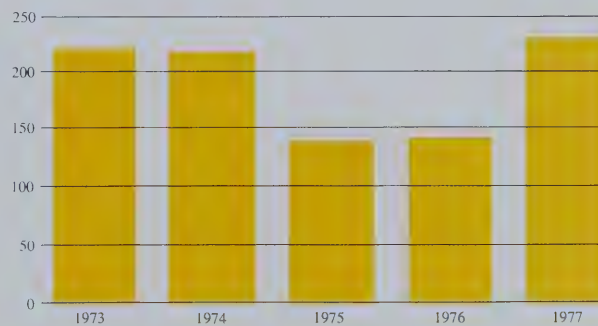
NET CRUDE OIL PRODUCTION
Daily Average — Thousand Barrels

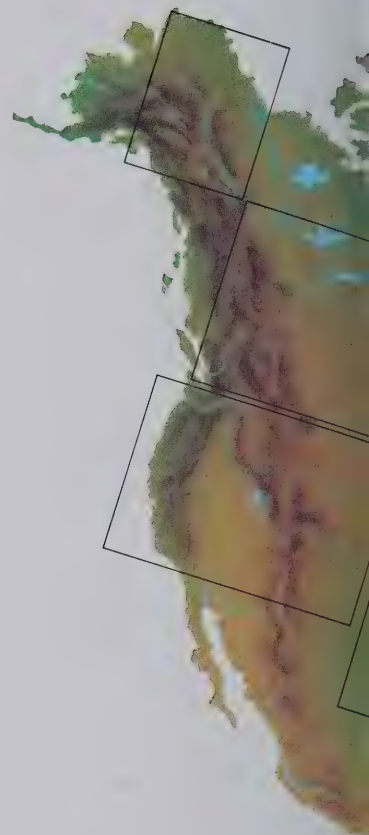


NET NATURAL GAS LIQUIDS SALES
Daily Average — Thousand Barrels



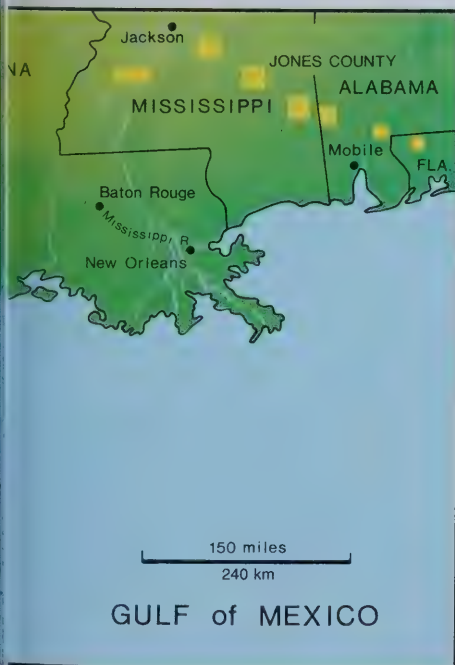
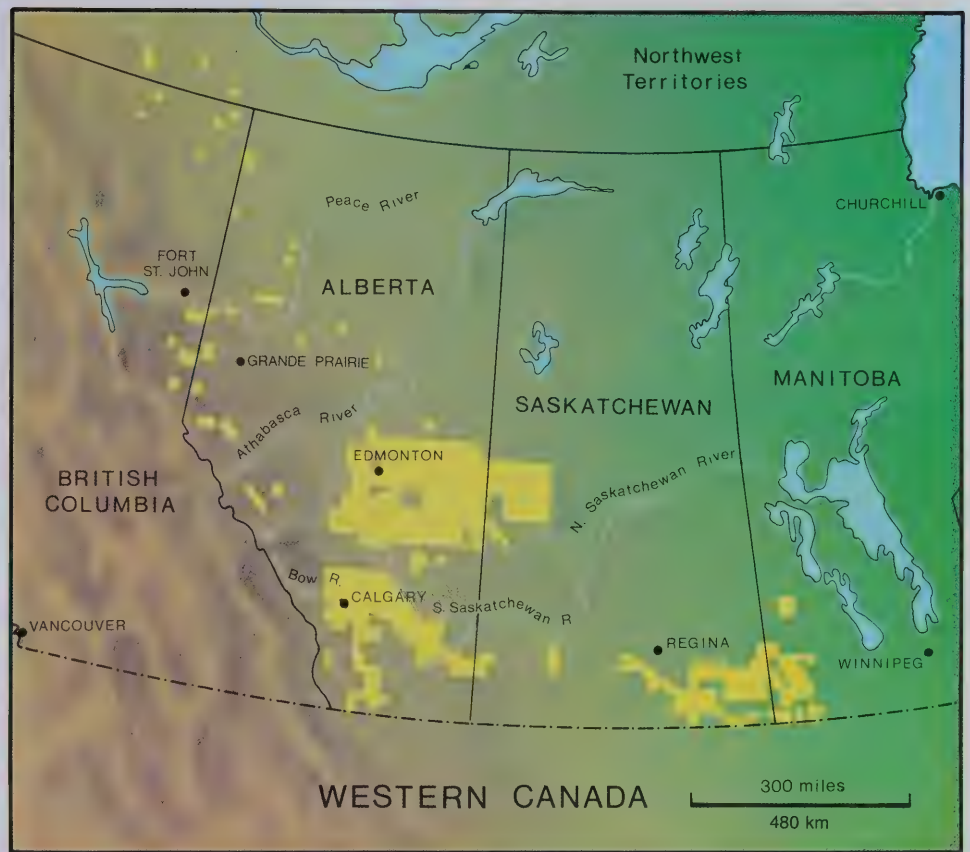
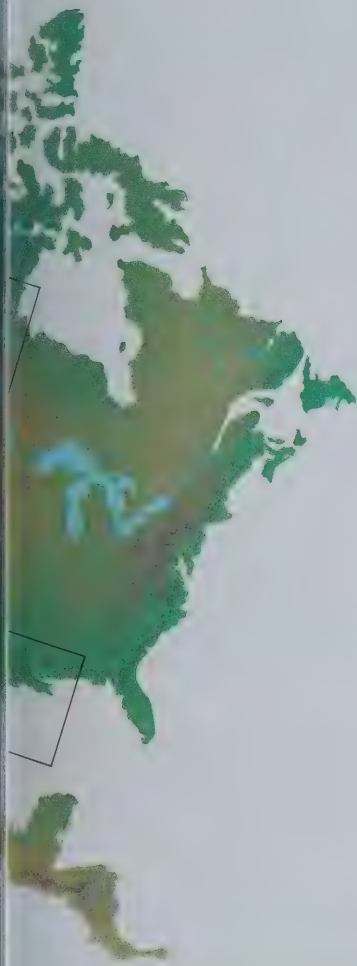
NET SULPHUR SALES
Daily Average — Long Tons





PanO
Petroleum
LAND H
NORTH AMERICA

Areas in which
gas rights as of



Canadian
Limited
Buildings
and AUSTRALIA

Canadian holds oil and
ember 31, 1977.

Reserves



The Company's year-end remaining proven and probable reserves are shown in the accompanying tables.

The remaining proven and probable marketable natural gas reserves, after royalty, were 2,448 billion cubic feet at December 31, 1977 and provide a constant rate reserve life index of 25 years. This is an increase of 82 billion cubic feet over the previous year's total of 2,366 billion cubic feet. Exploration and development drilling — mainly in Alderson, Bantry, Cissels, Carseland, Gayford, Hussar and Redland — together with engineering reviews and the acquisition of an interest in a gas producing property in Dimmit County, Texas, added 182 billion cubic feet but this was reduced by production of 100 billion cubic feet.

At year end, the proven and probable crude oil and natural gas liquids reserves, after royalty, were 153 mil-

lion barrels representing a constant rate reserve life index of 12 years. This is a decline of 13 million barrels from the previous year's total of 166 million barrels. Exploration and development drilling — mainly in Alderson, Hussar, Horsefly, Nevis, Provost, Strathmore and Mississippi — increased reserves by 2.6 million barrels. This was reduced by production of 12.4 million barrels, and engineering reviews of 3.2 million barrels which include an increase in royalty deductions of 1.4 million barrels in Saskatchewan.

At year-end, the proven and probable sulphur reserves, after royalty, were 3,436 million long tons, a decline of 0.337 million from the previous year's total of 3.773 million long tons. This reduction is mainly due to production of 91,000 long tons, and engineering reviews amounting to 246,000 long tons.

PROVEN & PROBABLE RESERVES*

	1977 Before Royalty	1977 After Royalty	1976 After Royalty
Marketable Natural Gas (billion cubic feet)			
Remaining Reserves at January 1	2,821	2,366	2,384
Reserves Added	214	214	224
	<u>3,035</u>	<u>2,580</u>	<u>2,608</u>
Production	112	100	85
Royalty Deductions	—	32	157
Remaining Reserves at December 31	<u>2,923</u>	<u>2,448</u>	<u>2,366</u>
Oil and Natural Gas Liquids (thousand barrels)			
Remaining Reserves at January 1	188,394	165,851	185,945
Reserves Added	1,069	1,069	9,119
	<u>189,463</u>	<u>166,920</u>	<u>195,064</u>
Production	13,893	12,350	11,125
Royalty Deductions	—	1,607	18,088
Remaining Reserves at December 31	<u>175,570</u>	<u>152,963</u>	<u>165,851</u>
Sulphur (thousand long tons)			
Remaining Reserves at January 1	6,510	3,773	4,756
Reserves Added (subtracted)	(500)	(246)	(667)
	<u>6,010</u>	<u>3,527</u>	<u>4,089</u>
Production	139	91	77
Royalty Deductions	—	—	239
Remaining Reserves at December 31	<u>5,871</u>	<u>3,436</u>	<u>3,773</u>
Coal (million short tons)			
Remaining Reserves at January 1	864	860	485
Reserves Added	631	630	375
Remaining Reserves at December 31	<u>1,495</u>	<u>1,490</u>	<u>860</u>

* Does not include PanCanadian's interest in Panarctic Oils Ltd. and Minerals Ltd.

PROVEN & PROBABLE RESERVES AT DECEMBER 31, 1977*

	Proven	Probable	Total
Marketable Natural Gas (billion cubic feet)			
Before Royalty	2,285	638	2,923
After Royalty	1,950	498	2,448
Oil and Natural Gas Liquids (thousand barrels)			
Before Royalty	135,750	39,820	175,570
After Royalty	115,869	37,094	152,963
Sulphur (thousand long tons)			
Before Royalty	4,100	1,771	5,871
After Royalty	2,484	952	3,436
Coal (million short tons)			
Before Royalty	753	742	1,495
After Royalty	750	740	1,490

* Does not include PanCanadian's interest in Panarctic Oils Ltd. and Minerals Ltd.

Proven reserves are those quantities of crude oil, natural gas, natural gas liquids and sulphur which analysis of geological and engineering data demonstrates with reasonable certainty to be recoverable from known oil or gas fields under existing economic and operating conditions.

Probable reserves are those additional quantities estimated to be commercially recoverable from known oil and gas fields, as a result of the effects of the future installation of secondary recovery methods or future improvements in the existing recovery mechanism.

Marketable natural gas reserves comprise gases from which certain hydrocarbon and non-hydrocarbon compounds have been removed or partially removed by processing where necessary to meet pipeline or other market specifications, and are measured at a base pressure of 14.65 psia and base temperature of 60°F.

Surface recoverable coal reserves include coal to a maximum strip ratio of 15 cubic yards of overburden to one ton of coal, to a maximum depth of 150 feet.

Financial



PanCanadian's net income for 1977 was \$126.5 million or \$4.05 a share representing an increase of 49% from the \$85.0 million, or \$2.72 a share, in 1976. Funds from operations increased from \$134.4 million to \$186.1 million in 1977. This is a 38% improvement and, on a per share basis, is an increase from \$4.31 to \$5.96. Working capital increased by \$32.5 million to \$57.8 million at December 31, 1977.

Gross income increased from \$206.9 million to \$301.3 million, up \$94.4 million or 46% from the previous year. This growth is primarily due to the higher prices received for crude oil, natural gas and liquids together with significant increases in oil and gas production.

Total expenses before income taxes rose to \$109.6 million from \$87.1 million in 1976, an increase of 26%. Operating expenses were up \$17.4 million or 48% primarily due to increased product and processing costs at the Empress extraction plant, the cost of increased production and the effects of inflation on the cost of goods and services. Depletion increased by \$8.0 million

because of higher production, and greater expenditures on exploration and development. No amortization of the Brooks Ammonia Project was required in 1977, and consequently provision for depreciation and amortization decreased \$6.1 million.

The provision for income taxes amounted to \$65.2 million in 1977, up \$30.4 million from 1976. Higher earnings, together with exhaustion of the earned depletion pool, account for this increase. Current taxes amounted to \$39.8 million as compared to \$17.4 million in 1976.

Dividends declared and paid in 1977 totalled \$29.7 million or \$0.95 a share, compared to \$27.8 million or \$0.89 a share in 1976. Semi-annual payments of \$0.46 and \$0.49 a share were made in June and December respectively.

Capital expenditures amounted to \$110.0 million, a reduction of \$7.0 million from 1976. Exploration expenditures, at \$74.6 million, were significantly higher but capital outlays for production facilities and other equipment decreased from the previous year.

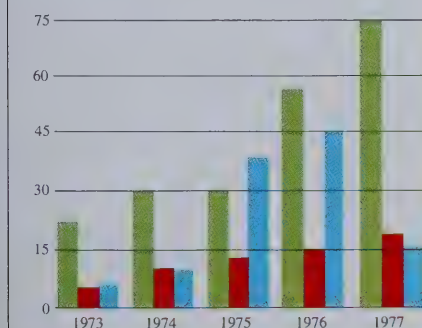
SOURCES OF REVENUE

	1977		1976		% Increase
	Amount	%	Amount	%	from
					1976
(thousands of dollars)					
Natural Gas	\$125,927	41.8	\$ 84,561	40.9	48.9
Crude Oil	108,225	35.9	75,786	36.6	42.8
Empress Plant Natural Gas Liquids Sales	48,471	16.1	32,133	15.5	50.8
Natural Gas Liquids	8,152	2.7	6,947	3.4	17.3
Sulphur	1,237	.4	911	.4	35.8
Lease Rentals	3,269	1.1	3,595	1.7	(9.1)
Miscellaneous	6,065	2.0	3,008	1.5	101.6
	\$301,346	100.0	\$206,941	100.0	45.6

APPLICATION OF WORKING CAPITAL

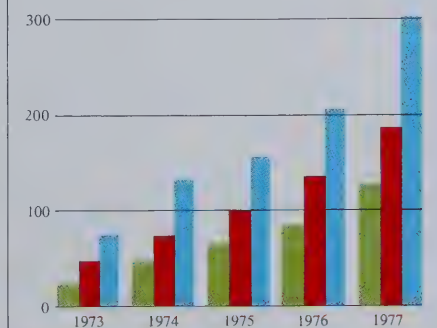
	1977	1976	% Increase from 1976
	(thousands of dollars)	(thousands of dollars)	
Exploration			
Land Acquisition and Retention	\$ 27,693	\$ 19,697	40.6
Geological, Geophysical and Overhead	22,140	13,503	64.0
Exploratory Drilling	24,812	23,832	4.1
	<u>74,645</u>	<u>57,032</u>	<u>30.9</u>
Development			
Acquisition of Producing Properties	7,890	—	100.0
Development Drilling	11,051	14,923	(25.9)
	<u>93,586</u>	<u>71,955</u>	<u>30.1</u>
Production Facilities and Other Equipment	<u>16,444</u>	<u>45,081</u>	<u>(63.5)</u>
	<u>110,030</u>	<u>117,036</u>	<u>(6.0)</u>
Investment in Panarctic Oils Ltd.	3,014	2,876	4.8
Reduction of Long-Term Debt	10,815	9,982	8.3
Dividends	29,653	27,784	6.7
Other	95	810	(88.3)
	<u>\$153,607</u>	<u>\$158,488</u>	<u>(3.1)</u>

CAPITAL EXPENDITURES
Millions of Dollars



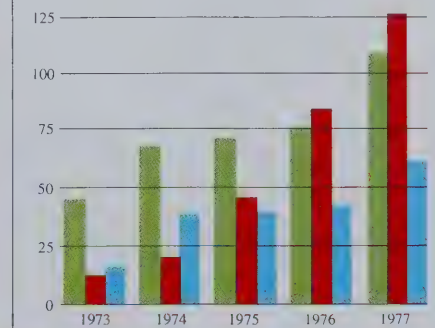
Exploration
Development
Facilities

FINANCIAL REVIEW
Millions of Dollars



Net Income
Funds from Operations
Gross Income

SOURCES OF OPERATING REVENUE
Millions of Dollars



Crude Oil
Natural Gas
Natural Gas Liquids and Other

Employees

A woman with brown hair, wearing a red long-sleeved shirt and a blue vest, is seated at a wooden desk. She is holding a white telephone receiver to her ear with her left hand and writing on a document with a pen in her right hand. On the desk in front of her is a white electronic device, possibly a calculator or a small printer. Behind her, there is a black metal mesh partition and a bookshelf filled with books. The background shows a modern office interior with a curved wooden structure and a large window.

Employees

At year-end, PanCanadian had 767 employees. Long Service Recognition Awards were made to 18 employees with more than ten years service with the Company. The Scholarship Plan provided financial assistance to 26 university students who are employees' dependents.

PanCanadian Petroleum Limited

Auditors' Report

To the Shareholders of
PanCanadian Petroleum Limited:

We have examined the consolidated balance sheet of PanCanadian Petroleum Limited as at December 31, 1977 and the consolidated statements of income and retained income and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
February 10, 1978

PRICE WATERHOUSE & CO.
Chartered Accountants

PanCanadian Petroleum Limited

Consolidated Statement of Income and Retained Income

FOR THE YEAR ENDED DECEMBER 31, 1977

	<u>1977</u>	<u>1976</u>
	(thousands of dollars)	
Income:		
Operating revenue	\$295,281	\$203,933
Interest income from affiliated company (Note 2)	3,930	1,695
Miscellaneous	<u>2,135</u>	<u>1,313</u>
	301,346	206,941
Expenses:		
Operating	54,039	36,612
Administrative	9,288	7,247
Interest on long-term debt	12,352	11,245
Depreciation and amortization (Notes 1 and 3)	9,748	15,842
Depletion (Note 1)	<u>24,162</u>	<u>16,141</u>
	109,589	87,087
Income before income taxes	191,757	119,854
Provision for income taxes (Note 1):		
Current	39,760	17,401
Deferred	<u>25,451</u>	<u>17,420</u>
	65,211	34,821
Net income for the year	126,546	85,033
Retained income at beginning of year	<u>160,566</u>	<u>103,317</u>
	287,112	188,350
Dividends — 95¢ per share (1976 — 89¢) (Note 6)	<u>29,653</u>	<u>27,784</u>
Retained income at end of year	<u>\$257,459</u>	<u>\$160,566</u>
Earnings per share	<u>\$4.05</u>	<u>\$2.72</u>

Consolidated Statement of Changes in Financial Position

FOR THE YEAR ENDED DECEMBER 31, 1977

	1977	1976
	(thousands of dollars)	
Source of working capital:		
Net income for the year	\$126,546	\$ 85,033
Expenses not requiring a current outlay of funds —		
Depreciation and amortization	9,748	15,842
Depletion	24,162	16,141
Deferred income taxes	25,451	17,420
Other	189	4
Funds from operations	186,096	134,440
Issue of debentures	—	35,000
Long-term bank loans	—	24,000
	<u>186,096</u>	<u>193,440</u>
Application of working capital:		
Petroleum, natural gas and mineral properties	93,586	71,955
Plant, production and other equipment	16,444	45,081
	<u>110,030</u>	<u>117,036</u>
Investment in Panarctic Oils Ltd.	3,014	2,876
Reduction of long-term debt	10,815	9,982
Dividends	29,653	27,784
Debenture issue expenses and premium — net	31	764
Other	64	46
	<u>153,607</u>	<u>158,488</u>
Increase in working capital	32,489	34,952
Working capital (deficiency) at beginning of year	25,327	(9,625)
Working capital at end of year	<u>\$ 57,816</u>	<u>\$ 25,327</u>

PanCanadian Petroleum Limited

Consolidated Balance Sheet — December 31, 1977

ASSETS

	<u>1977</u>	<u>1976</u>
	(thousands of dollars)	
Current assets:		
Cash	\$ 1,139	\$ 2,692
Deposits with affiliated company (Note 2)	78,998	33,224
Accounts receivable	53,071	42,828
Inventories, at average cost —		
Products	12,704	6,686
Materials	3,804	4,898
	<u>149,716</u>	<u>90,328</u>
Property, plant and equipment, at cost (Notes 1 and 3):		
Petroleum, natural gas and mineral properties	530,421	437,015
Less: Accumulated depletion	(142,369)	(118,387)
Plant, production and other equipment	176,720	161,324
Less: Accumulated depreciation and amortization	(60,007)	(51,625)
	<u>504,765</u>	<u>428,327</u>
Investments, at cost:		
Panarctic Oils Ltd.	19,192	16,178
Other	626	524
	<u>19,818</u>	<u>16,702</u>
Other assets:		
Drilling, reservation and other deposits	99	112
Unamortized debenture discount and issue expenses (Note 1)	1,536	1,694
Unamortized gas processing contracts (Note 1)	10,502	10,820
	<u>12,137</u>	<u>12,626</u>
	<u><u>\$686,436</u></u>	<u><u>\$547,983</u></u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1977</u>	<u>1976</u>
	(thousands of dollars)	
Current liabilities:		
Accounts payable and accrued liabilities	\$ 62,936	\$ 54,129
Income taxes payable	18,899	890
Current portion of long-term debt	<u>10,065</u>	<u>9,982</u>
	91,900	65,001
 Long-term debt (Note 4)	 119,632	 130,447
 Deferred credits:		
Deferred rentals	489	464
Deferred income taxes (Note 1)	<u>144,174</u>	<u>118,723</u>
	144,663	119,187
 Shareholders' equity:		
Capital stock —		
Authorized —		
50,000,000 shares of \$1 par value		
Issued —		
31,219,534 shares	31,220	31,220
Paid in surplus	41,562	41,562
Retained income (Note 6)	<u>257,459</u>	<u>160,566</u>
	330,241	233,348
	 <u><u>\$686,436</u></u>	 <u><u>\$547,983</u></u>

APPROVED BY THE BOARD:

Robert W. Campher Director

Jim Taylor Director

PanCanadian Petroleum Limited

Notes to Consolidated Financial Statements

DECEMBER 31, 1977

NOTE 1 — ACCOUNTING POLICIES:

The consolidated financial statements include the accounts of PanCanadian Petroleum Limited and its subsidiaries, all of which are wholly-owned.

Foreign currency balances included in the consolidated financial statements have been expressed in Canadian dollars on the following basis:

Current assets and liabilities — at the rate of exchange December 31, 1977

Other assets and liabilities — at historical rates of exchange

Income and expenses — at monthly rates of exchange except provisions for depreciation and amortization which are translated on the same basis as the related assets

The Company follows the full cost method of accounting for oil and gas properties whereby all costs relating to the exploration for and the development of oil and gas reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells and overhead expenses related to exploration activities. These costs are depleted by the unit of production method based on estimated proven oil and gas reserves.

Depreciation of plant, production and other equipment is being provided on the diminishing balance method at rates varying from 5% to 20% which will amortize original costs over the estimated useful lives of the respective assets except for depreciation on the gas processing plant which is provided on the straight-line basis at 4% per annum.

Unamortized debenture discount and issue expenses are being charged to income on a straight-line basis over the terms of the debenture issues.

Unamortized gas processing contracts are being charged to income on a straight-line basis over the life of the contracts which is forty years.

The Company follows the allocation method of accounting for income taxes.

NOTE 2 — DEPOSITS WITH AFFILIATED COMPANY:

Substantially all of the Company's funds which were surplus to its day to day requirements were invested in deposits of Canadian Pacific Limited. These deposits carry interest at rates at least equal to the interest rates paid from time to time by a leading Canadian Chartered bank on equivalent deposits.

NOTE 3 — PROPERTY, PLANT AND EQUIPMENT:

As at December 31, 1977 the Company had a net investment of approximately \$32,000,000 (after provision for amortization in 1976 of \$8,000,000) in an ammonia plant project. For economic reasons the Company decided in 1977 that the plant should be disposed of and negotiations for its sale are presently in progress on a basis which would not result in any significant loss to the Company.

NOTE 4 — LONG-TERM DEBT:

Details of long-term debt outstanding at December 31, 1977 and 1976 are set forth hereunder:

	<u>1977</u>	<u>1976</u>
	(thousands of dollars)	
Bank loans due 1978 - 1983	\$ 45,447	\$ 55,429
8 ¹ / ₈ % secured debentures due March 1, 1992, sinking fund payments 1978 - 1991, secured by a first mortgage upon certain producing properties	24,250	25,000
8 ³ / ₄ % secured debentures due November 1, 1992, sinking fund payments 1978 - 1991, secured by a first mortgage upon certain producing properties	25,000	25,000
9 ³ / ₄ % unsecured debentures due November 15, 1983	35,000	35,000
	<u>129,697</u>	<u>140,429</u>
Less: Current portion	10,065	9,982
	<u>\$119,632</u>	<u>\$130,447</u>

The bank loans bear interest at rates which fluctuate (in certain cases within defined limits) with the lender's prime commercial rate.

The Company has agreed that, without the consent of the bankers, the assets of the Company and its subsidiaries will not be encumbered nor will any debt be created that would rank prior to or pari passu with the bank loans.

With regard to the \$35,000,000 9³/₄% unsecured debentures, the Company has agreed that it and its subsidiaries will not create any mortgages or other charge on their assets to secure a loan or other indebtedness in the form of bonds or other indebtedness which at the time of issue are intended to be traded on any stock exchange or publicly traded in the over-the-counter market in any part of the world unless the debentures then outstanding are similarly secured.

The annual maturities for long-term debt for each of the five years ending December 31, are as follows:

(thousands of dollars)
1978 — \$10,065
1979 — \$ 7,778
1980 — \$ 7,465
1981 — \$ 7,965
1982 — \$ 3,965

NOTE 5 — STATUTORY INFORMATION:

During 1977 there were twelve directors and ten officers (as defined by the Canadian Corporation Act) of whom three were also directors.

Officers' remuneration and directors' fees for 1977 amounted to \$549,000 and \$38,000 respectively (1976 — \$423,000 and \$38,000) none of which was paid by subsidiaries.

NOTE 6 — ANTI-INFLATION PROGRAM:

Effective October 14, 1975 the Canadian Government enacted anti-inflation legislation providing for the establishment of controls on prices, profit margins, compensation and dividends. The controls on prices and profit margins do not apply to crude oil, natural gas and certain related products. Such controls have not had any significant effect on the Company's operations to date.

Five Year Statistical Review

(Dollar amounts in thousands except per share figures)

	1977	1976	1975	1974	1973
EARNINGS					
Gross Income	\$301,346	\$206,941	\$159,590	\$130,572	\$ 75,374
Funds from Operations	186,096	134,440	99,756	74,557	49,872
Per Share	5.96	4.31	3.20	2.39	1.60
Net Income	126,546	85,033	68,663	46,243	21,300
Per Share	4.05	2.72	2.20	1.48	0.68
BALANCE SHEET					
Working Capital (Deficiency)	\$ 57,816	\$ 25,327	\$ (9,625)	\$ 11,748	\$ 10,900
Property, Plant & Equipment — Net	504,765	428,327	342,957	278,626	249,356
Investments & Other Assets	31,955	29,328	25,996	23,696	22,242
Long-Term Debt	119,632	130,447	81,429	89,946	93,468
Deferred Income Taxes	144,174	118,723	101,302	89,317	81,367
CAPITAL EXPENDITURES					
Exploration	\$ 74,645	\$ 57,032	\$ 30,980	\$ 30,285	\$ 22,934
Development	18,941	14,923	13,622	9,675	4,385
Production Facilities & Equipment	16,444	45,081	38,510	9,356	4,695
Investment in Panarctic Oils Ltd.	3,014	2,876	3,155	1,764	1,705
PROVEN & PROBABLE RESERVES (AFTER ROYALTY)					
Natural Gas (million cubic feet)	2,448,000	2,366,000	2,384,000	2,298,000	2,225,000
Crude Oil & Natural Gas Liquids (barrels) ..	152,963,000	165,851,000	185,945,000	194,493,000	206,755,000
Sulphur (long tons)	3,436,000	3,773,000	4,756,000	4,076,000	3,573,000
Coal (thousand short tons)	1,490,000	860,000	485,000	—	—
PRODUCTION (AFTER ROYALTY)					
Natural Gas Sales (million cubic feet)	99,658	84,799	81,622	82,594	76,727
Crude Oil & Natural Gas Liquids Production (barrels)	12,350,000	11,125,000	12,245,000	14,334,000	15,885,000
Empress Plant Natural Gas Liquids Sales (barrels)	4,439,000	3,653,000	3,417,000	4,372,000	2,579,000
Sulphur Sales (long tons)	84,256	52,306	50,392	79,561	79,908
ACREAGE					
Gross (acres)	28,905,000	30,256,000	31,793,000	39,686,000	45,671,000
Net (acres)	13,362,000	13,059,000	15,311,000	16,426,000	19,705,000
SHARES & DIVIDENDS					
Number of Shares Outstanding	31,219,534	31,219,534	31,219,534	31,219,534	31,214,990
Number of Shareholders	5,363	5,905	7,170	7,492	7,840
Dividends	\$ 29,653	\$ 27,784	\$ 26,847	\$ 19,355	\$ 12,795
Per Share	0.95	0.89	0.86	0.62	0.41
Market Price Per Share — High	36	25 ³ / ₄	17 ¹ / ₄	14	18 ¹ / ₂
— Low	23 ³ / ₄	15 ⁷ / ₈	7 ⁵ / ₈	7 ¹ / ₈	11 ³ / ₈

Subsidiary and Affiliate Companies

Wholly Owned

Blackfoot Pipelines Ltd.
Canadian Pacific Oil and Gas of Canada Limited
Canadian Pacific Oil and Gas Nederland B.V.
Canadian Pacific Oil and Gas Norway A/S
PanCanadian Gas Products Ltd.
PanCanadian Petroleum Company
PanCanadian Petroleum (U.K.) Limited
Canadian Persian Oil Limited
PanCanadian Kerrobert Pipeline Ltd.
PanCanadian Petroleum Denmark A/S

Other

Minerals Ltd. — 50%
Panarctic Oils Ltd. — 8.93%

Offices

Head Office
2000 - One Palliser Square
Calgary, Alberta
T2G 0P6

United States Office
1500 - One Houston Centre
Houston, Texas
77002

United Kingdom Office
6 Arlington Street
London, England
SW1A IRE

SHARES LISTED

Alberta Stock Exchange
Montreal Stock Exchange
Toronto Stock Exchange
Vancouver Stock Exchange

REGISTRAR AND TRANSFER AGENT

Guaranty Trust Company of Canada —
Calgary, Montreal, Toronto, Vancouver

BANKER

The Royal Bank of Canada

AUDITORS

Price Waterhouse & Co.
Chartered Accountants
Calgary, Alberta.

In May, each year, PanCanadian Petroleum Limited publishes a supplementary report entitled "Financial and Operating Information". The report contains more detailed information than is possible to include in the Annual Report, and is mainly provided for the use of security analysts. Any shareholder requiring a copy may obtain one by directing a request to the Supervisor — Budgetary Control & Statistics.

PanCanadian
Petroleum
Limited

P.O. Box 2850
Calgary, Alberta, Canada
T2P 2S5



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